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April 26, 2013

Via ECFS

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: American Cable Association ("ACA") *Ex Parte* Filing on the CAF Phase I Incremental Support Program, WC Docket No. 10-90

Dear Ms. Dortch:

In the Further Notice of Proposed Rulemaking regarding modifications to the Connect America Fund ("CAF") Phase I Incremental Support Program for 2013, the Commission discussed expanding the eligible areas to include those lacking 4/1 Mbps ("4/1") broadband service and altering the amount of support from $775/location.[1] This amount of support was intended to provide sufficient incentive for the price cap local exchange carriers ("LECs") to deploy 4/1 broadband in areas that had only lower speed broaband service (i.e., less than 768/200 kbps ("768/200")).

In the FNRPM, the Commission stated:

> Carriers that accepted funds in the first round of Phase I incremental support likely will use those funds to build to lower-cost locations in their territories, leaving genrally higher-cost locations remaining, which would raise the average cost to connect to a location in the next round of funding and militate in favor of using a figure higher than $775. However, *we also note that if we expand our definition of eligible areas, it could reduce the average cost per location.*[2]

[1] *See Connect America Fund*, Further Notice of Proposed Rulemaking, WC Docket No. 10-90,¶ ¶ 9-12 and 29-35 (rel. Nov. 19, 2012) ("FNPRM").

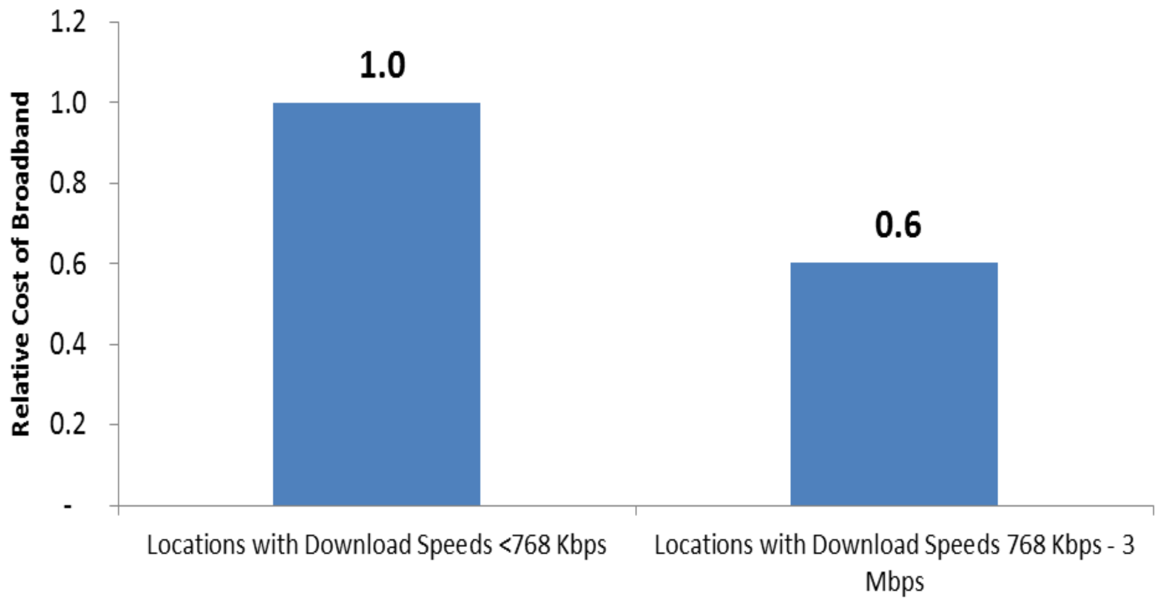
[2] *Id.*, ¶ 35 (emphasis added).

ACA submits that if the eligible areas are expanded to include those without 4/1 service, the amount of support per location should decrease significantly below $775/location since the average cost of the locations without 4/1 service that the price cap LECs could serve is well below the average cost of locations without 768/200 service. In addition, there are substantially more locations without 4/1 service than without 768/200 service, and, as the Commission noted, the price cap LECs have a natural incentive to serve first the lowest cost locations (that is, those below the average cost).

As support for ACA's contention, using the current version of the Commission's Connect America Cost Model ("CACM"), ACA analyzed the difference in costs between locations currently without 768/200 service and those locations with service greater than 768/200 and less than 3 Mbps/768 kbps ("3/768").[3] From this analysis, ACA determined that average cost to serve locations with broadband between 768/200 and 3/768 is just 60 percent of the average cost to serve the "below" 768/200 locations (*see* Figure 1). If this cost difference is applied to the CAF I incremental support framework, locations without broadband service between 768/200 and 3/768 should require only 60 percent of the 2012 support amount – or $468/location ($775 x 60 percent).

[3] To conduct this analysis, ACA used broadband speeds from the June 2012 National Broadband Map and per location annual cost estimates for CAF Phase I eligible locations from Version 3 of the Connect America Cost Model. The analysis was conducted at the census block group level using the maximum speed for all census blocks with download speeds below 3 Mbps to represent the speed of the census block group. Census blocks included in the National Broadband Map that did not have reported speeds were excluded from the analysis.

Figure 1: Unserved CAF Phase I Eligible Locations – Relative Cost Index



CAF Phase I Support: $775/Location $468/Location

Should you have any questions about ACA's analysis, please contact me.

Sincerely,

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